

## Message Text

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ORIGIN EB-07

INFO OCT-01 EA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03

OMB-01 L-03 AID-05 SS-15 NSC-05 H-02 PA-01 PRS-01

USIA-06 /079 R

DRAFTED BY EB/OT/STA:BBISHOP,JR.:CLJ

APPROVED BY EB/OT/STA:BBISHOP,JR.

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R 101805Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

INFO AMEMBASSY SEOUL

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E.O. 11652: N/A

TAGS: ETRD, KS

SUBJECT: COUNTERVAILING DUTIES -- FOOTWEAR

REFS: (A) SEOUL 5126; (B) SEOUL 4816

STATE 158362 IS REPEATED IN ACCORDANCE WITH REQUEST CONTAINED REFTEL (A):

1. ON QUESTIONS RAISED IN REFTEL (B), TREASURY DECISION APPLIES TO BOTH RUBBER-SOLED AND NON-RUBBER FOOTWEAR. AMOUNT OF BOUNTY OR GRANT VARIES FOR INDIVIDUAL COMPANIES BUT IS IN ALL CASES LESS THAN 1 PERCENT. THE QUESTION OF WHAT CONSTITUTES A DE MINIMIS BOUNTY IS NOT DEFINED IN TRADE ACT BUT IS AN ADMINISTRATIVE DECISION BASED ON FACTS OF INDIVIDUAL CASES AND PRECEDENT. SPECIAL DISCRETIONARY AUTHORITY CAN BE CONSIDERED IN THE CASE OF RUBBER-SOLED  
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FOOTWEAR (80 PERCENT OF VALUE OF KOREAN SHIPMENTS TO U.S.)

BUT TRADE ACT LIMITS USE OF AUTHORITY IN NON-RUBBER FOOT-WEAR CASES.

2. TREASURY OFFICIALS HAVE EXPLAINED FINDING TO KOREAN EMBASSY REPRESENTATIVES IN WASHINGTON. TREASURY PREPARED TO REVIEW ANY ADDITIONAL DATA KOREANS MAY WISH TO SUBMIT, ALTHOUGH WE BELIEVE FULL AND ACCURATE DATA HAS BEEN SUPPLIED.

3. IN ANNOUNCING KOREAN DECISION AT JULY 2 PRESS CONFERENCE, TREASURY ASSISTANT SECRETARY MACDONALD SAID THAT THE TREASURY DETERMINATION WAS A "PAINFUL DECISION" NOTING THAT THE KOREANS HAD BEEN "EXTREMELY COOPERATIVE" DURING THE INVESTIGATION AND HAD ALREADY DROPPED TWO PROGRAMS WHICH ELIMINATED APPROXIMATELY 80 PERCENT OF THE BOUNTIES OR GRANTS. MACDONALD REALIZED THAT TREASURY'S PRELIMINARY DECISION WAS ESPECIALLY DIFFICULT FOR KOREANS TO ACCEPT IN VIEW OF THEIR ACTION IN 1973 TO RESTRICT EXPORTS TO U.S. OF RUBBER-SOLED FOOTWEAR FOR THREE-YEAR PERIOD. NEVERTHELESS, HE SAID THE REQUIREMENTS OF U.S. LAW WERE CLEAR, THAT SUCH EXPORT RESTRAINTS COULD NOT BE TAKEN INTO ACCOUNT IN TREASURY'S PRELIMINARY DECISION AND THAT THE DECISION HAD TO BE PUBLISHED. WHEN ASKED ABOUT THE POSSIBILITY OF USE OF THE WAIVER AUTHORITY, HE SAID THAT IN VIEW OF THE PAST ACTIONS BY THE KOREANS AND THEIR COOPERATIVE ATTITUDE HE WAS VERY HOPEFUL THAT A SATISFACTORY SOLUTION WOULD BE POSSIBLE.

4. WE REALIZE ADMINISTRATION OF COUNTERVAILING DUTY LAW CAN BE IRRITANT, BUT HOPE KOREANS UNDERSTAND REQUIREMENTS UNDER WHICH USG MUST OPERATE. IT IS, OF COURSE, IMPOSSIBLE TO PREDICT WHETHER OTHER COMPLAINT WILL BE FILED ON PRODUCTS FROM KOREA, BUT PAST EXPERIENCE INDICATES THAT PUBLICATION OF A TREASURY DECISION DOES NOT NECESSARILY RESULT IN A SIGNIFICANT NUMBER OF ADDITIONAL PETITIONS BEING FILED.

5. TREASURY WILL DISCUSS TECHNICAL QUESTIONS WITH KOREAN WASHINGTON REPRESENTATIVES. U.S. WILL THEN BE PREPARED TO CONSULT WITH KOREANS ON POSSIBLE RESOLUTIONS. INGERSOLL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EXPORTS, FOOTWEAR, TARIFF LAW, COUNTERVAILING DUTIES, INVESTIGATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 10 JUL 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** johnsorg  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE162263  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** BBISHOP,JR.:CLJ  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750239-0692  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750768/aaaacimn.tel  
**Line Count:** 99  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 SEOUL 5126, 75 SEOUL 4816  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** johnsorg  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 JUL 2003 by BoyleJA>; APPROVED <18 NOV 2003 by johnsorg>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COUNTERVAILING DUTIES -- FOOTWEAR  
**TAGS:** ETRD, KS, US  
**To:** TOKYO  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006